Local Authorities Pension Plan Board

1991

ANNUAL

REPORT

Alberta

GOVERNMENT PENSION BOARDS

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Alberta
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August 1992

The Honourable Dick Johnston
Provincial Treasurer

Sir:

I have the honour to submit to you the annual report of the Local Authorities Pension Plan Board for the period January 1, 1991 to December 31, 1991. The report outlines the roles and responsibilities of the Local Authorities Pension Plan Board under the legislation governing the plan.

Board activities during the period under review, with respect to its appellate and advisory roles, are described in the report.

Yours truly,

David Hart
Vice-Chairman

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INTRODUCTION

The calendar year 1991 is the sixth year of operation of the Local Authorities Pension Plan Board. This Board was established on November 1, 1985 under the Local Authorities Pension Plan Act.

The main responsibilities of the Board are:

- to hear appeals of administrative decisions made on pensions by the Minister,
- to extend time limits under section 10 of the Act and under reciprocal agreements, and
- to advise the Minister responsible for public service pensions on matters relating to the Plan.

The Honourable Dick Johnston, Provincial Treasurer, is the Minister charged with the administration of the public service pensions plans. The Local Authorities Pension Plan is administered by Alberta Treasury, Payroll and Pensions Division.

The Board is made up of seven members nominated by stakeholders and appointed by the Lieutenant Governor in Council to represent employees, employers and the Government. The Chairman is independent and is charged with the responsibility to chair four other pension plan Boards.[1]

The roles of the Board are split between quasi-judicial and advisory. The quasi-judicial role of the Board is summarized in the section Summary of Appeals. A sample of appeal cases is provided for information. The advisory role is discussed in the section Advice.

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[1] Public Service Pension Plan, Public Service Management Pension Plan, Universities Academic Pension Plan and Special Forces Pension Plan Boards. He is Vice-Chairman, Board of Administrators Teachers' Retirement Fund.

THE BOARD

The Board consists of representatives of various organizations participating in the plan. The employees are represented by members who are nominated by the Alberta Federation of Labour and the United Nurses of Alberta. Employers are represented by nominees of the Alberta Urban Municipalities Association of Alberta and the Alberta Hospital Association. The public at large is represented by a member appointed by the Lieutenant Governor in Council.

The procedure used in filling vacancies on the Boards requires nomination of individuals by a recognized representative group. Usually two nominations for each vacancy are encouraged and from those nominated the Lieutenant Governor in Council appoints one. Individuals serve for a period of four years.

The Board currently consists of:

J. E. Faries

Mr. Jerry Faries was appointed Chairman effective November 1, 1985. He has considerable background in pension policy and administration having served over fifteen years as Director of the Pension Administration until December 31, 1979. He was a founding director of the Association of Canadian Pension Management and was involved as Chairman of the Advisory Board of the Employee Benefit Certificate Program of the University of Alberta. He also holds several senior positions on other boards and community organizations. His term of office on the Board expires on June 30, 1992.

A. F. (Chip) Collins

"Chip" Collins served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. Mr. Collins was appointed a Board Member and Vice-Chairman of the Board effective November 1, 1985. He brings to the Board extensive financial and administrative expertise as well as senior public service experience. Mr. Collins is a government representative. His term of office expires April 1, 1992.

K. R. Balkwill

Mr. Balkwill was reappointed to the Board on June 13, 1991 having previously served from 1975 to 1987. He became a union representative and union business agent in 1975 with CUPE Local 30 in the City of Edmonton. His interest in employee matters, benefits and security led him to further his knowledge in these fields. He attained a Personnel Administration Certificate and completed specialized studies from the Faculty of Extension, University of Alberta. Mr. Balkwill furthered his education through the Labour College of Canada. His term of office expires on April 1, 1995.

A. G. Bruckner

Mr. Gunter Bruckner was appointed to the Board effective November 1, 1985. He worked as an Automotive Mechanic with Calgary Transit and held various positions with the Amalgamated Transit Union and Calgary Civic Employees Benefit Society. He retired as full time Financial Secretary/Treasurer and Business Agent with Amalgamated Transit Union (ATU) Local 583. His term of office expires December 31, 1992.

S. D. Ewart-Johnson

Mrs. Ewart-Johnson holds a nursing diploma with the Royal Alexandra School of Nursing, a certificate for the Nursing Unit Administration Extension Course and the Management and Administration (Honours) Certificate issued by the Canadian Institute of Management. She is pursuing a Bachelor of Administration degree with Athabasca University. She started her career as a Staff Nurse and progressed to the positions of Manager of Labour Relations and Assistant Director of Employment and Labour Relations. She then assumed the responsibility as Consultant/Negotiator with the Alberta Hospital Association. She is currently employed with AHA as Vice-President, Employee Relations & Administration. She resigned from the Board in November 1991.

J. Foley

Educated in Scotland, Mr. Jack Foley has had 25 years of work experience in the British and Canadian corporate and group insurance industry as underwriter, administrator, and senior consultant. He has also worked as a senior pension administrator and employee benefits planner at both provincial and municipal levels in Alberta. He is currently employed with the City of Edmonton as a Benefits Planning Manager. His professional interests include founding and teaching the Employee Benefits Planning and Administration Certificate Program at N.A.I.T., and sitting on the Canadian Pension Plan Appeals Board as Chairman/Member. His term of office expires on December 31, 1992.

D. Hart

Mr. D. Hart was appointed to the Board in November 1991 to complete Mrs. Ewart-Johnson's term of office as a representative from the Alberta Hospital Association. After holding several positions in private industry, Mr. Hart assumed administrative duties and subsequently management positions at various hospitals across Canada. In July 1982 he was appointed Executive Director of the General Hospital (Grey Nuns) of Edmonton. Mr. Hart eventually retired from the position of President, Hospital Foundation in December 1991. His term of office expires on December 31, 1992.

B. L. Railey

Mrs. Railey received her primary and secondary education in Edmonton, Alberta. She graduated from the Faculty of Nursing, Indiana University, U.S.A. and held various certificates in the nursing field. She has served in the capacities of staff nurse, nurse consultant, nursing personnel officer and is currently the unit manager of Station 51 at the Edmonton General (Grey Nuns) Hospital. She also sits on a number of committees and is actively involved in community programmes. Her term of office expires on December 31, 1992.

V. Sedo

Mr. Sedo was appointed to the Board in 1989 as representative of the Alberta Federation of Labour. He graduated from Pacific Lutheran University with a Bachelor of Arts in Sociology and Philosophy with a sequence in Medical Social Work. He also attended Humber College Employee Benefit Program. Mr. Sedo administers AUPE' Welfare and Education Trust Funds and also holds positions on other judicial boards and community organizations. His term of office expired on April 1, 1991.

SUMMARY OF APPEALS

Provisions

The Act provides that decisions of the Minister, which adversely affect plan members' rights under the pension plan in any of the following areas, can be appealed:

Participation	Contributions
Pensionable Service	Prior Service
Benefits	

The Act also provides for application to the Board for extension of time limits in respect of pension benefits and benefit choices. Under the terms of the various reciprocal transfer agreements, the Board is empowered to extend time limits on breaks in service and on applications, at its discretion.

The provisions dealing with applications under section 10 and appeals under section 35 are outlined for easy reference in Appendix A - excerpts from the Act.

Parties aggrieved by a decision of the Board under section 36 of the Act may appeal to the Court of Queen's Bench within 30 days on questions of law or jurisdiction.

Procedure

A ministerial prescribed Notice of Appeal form is normally provided to the plan member by Payroll and Pensions Division of Alberta Treasury with any adverse administrative decision. The aggrieved member must complete and submit this form when filing an appeal to the Board. It may also be used for applications for time limit extensions under the Act or under reciprocal transfer agreements.

Assistance to appellants is available from the Chairman's office. The individual may seek advice on what facts to gather and how these should be presented.

Though hearings are conducted in an informal manner, the Board is guided by the pension legislation and adheres to the principles of natural justice and fairness. The Board has published a Pension Appeal Process brochure which provides guidelines for members of the Alberta Pension Plans.

The Board has authorized the Chairman to reimburse appellants and applicants appearing before it for reasonable travel and out-of-pocket expenses. This ensures that all appellants and applicants have the opportunity to appear and present their cases irrespective of their places of residence.

Summary of Appeals and Applications (1991)

During 1991 the LAPP Board decided on 41 appeals and applications, compared to 47 dealt with in the previous year. The Board granted or varied 83% and 72% of the cases in 1991 and 1990 respectively.

In 1991, 53% of the appellants and applicants or their representatives attended their hearings before the Board. This compares to 60% in 1990.

Summary of Appeals and Applications for 1991, by categories, with comparative figures for 1990 - LAPP Board

	1991			1990		
Category	#	% of Total	% Granted or Varied	#	% of Total	% Granted or Varied
Reciprocal Transfer	16	39%	75%	21	45%	67%
Time Limit Extensions (Section 10)	8	20%	100%	12	25%	75%
Appeals (Section 35)	17	41%	82%	14	30%	79%
TOTAL	41	100%	83%	47	100%	72%

Thirteen appeals were filed but did not require a hearing by the Board - the appeal provision was relied upon to facilitate a resolution and the cases were either granted by Payroll and Pensions Division (P & P) or withdrawn.

The following is intended to provide a cross-section of appeals and applications and is not an exhaustive description of cases heard by the Board.

Appeal 1 - Time Limit to Purchase a Leave of Absence

The issue was whether or not the applicant was materially at fault in missing the time limit in purchasing a period of leave of absence under the Local Authorities Pension Plan.

Payroll and Pensions (P & P) Division of Alberta Treasury, on behalf of the Minister, received an application for recognition of prior service. The service and salary record indicated that the following periods - August 1976 to August 1977 and February 1989 to May 1989 - were leaves of absence. P & P forwarded a Notice of Cost to the employer for the period August 1976 to August 1977. P & P also advised the employer that a Notice of Cost for the second period would be produced once the latter had submitted the appropriate key punch document. In December 1990 the employer wrote P & P requesting that the applicant be allowed to purchase the periods in question. The employer indicated that they had forgotten to submit the automated transaction form. P & P rejected the application on the basis that the 180 days time limit had expired. (The Regulation pursuant to the Act stipulated that an application to purchase a leave had to be made within 180 days from the end of the year in which the leave occurred.)

The Board found that the applicant had signed the application in 1989 for both the prior service and the leave of absence. The employer submitted the document to P & P in October 1989. Because of confusion of documentation that should have been forwarded by the employer, a notice of cost was not prepared and forwarded to the employee.

The Board granted the application on the basis that the applicant was not materially at fault in missing the time limit.

Appeal 2 - Recognition of Leave Taken Within Probationary Period

The issue was the eligibility of a period of maternity leave taken within a probationary period for pension purpose.

The appellant wrote that she was wrongly advised that she could purchase the probationary period, including leave of absence, within five years of commencement of contributions under the Plan and that the cost would be the normal employee contributions plus interest.

Payroll and Pensions (P & P) Division, on behalf of the Minister, rejected the application. The initial reason was that the appellant applied to purchase the leave with the probationary service after the 180 days deadline. Subsequently, P & P determined that the appellant was not a plan participant at the time of taking the leave and therefore the leave was not eligible to be purchased.

The Board vacated the Minister's decision and ordered that the appellant be allowed to purchase the leave of absence as part of the probationary year for pension purpose. The Board reasoned that had the employee been enroled in the Plan from day one of commencement of employment, she would not have been disallowed to purchase the

period of leave. Also, individuals who transfer from another plan would not have their probationary service questioned. In addition, the legislation and regulations do not preclude the recognition of leave of absence being taken during a probationary year.

Appeal 3 - Designated Beneficiary

The issue was whether or not a beneficiary form should remain in effect after the retirement of a plan member.

The registration of designation of beneficiary form was received in March 1981. The beneficiary listed was the daughter of the deceased. Later, a letter was received with attachments from the employer indicating the participant was retiring November 1982. Pension Options were sent to the participant in July 1982. The member chose a guaranteed 20 year term pension. In 1984, Payroll and Pensions (P & P) Division sent designation of beneficiary forms to all pensioners receiving a guaranteed term pension requesting they be completed and returned. This form was never returned to P&P by the participant. In January 1991 a letter was received from the employer advising that the participant passed away in December 1990. On January 22, 1991 a letter was forwarded to the daughter advising that the remaining monthly benefits would be payable to the estate. The letter also advised that a commuted value could be paid and requested that she indicate to P & P her choice. A letter was received from the lawyer of the executor advising that the daughter was designated as a beneficiary in 1981. The letter further advised that the deceased did not designate a beneficiary in 1982 nor in 1984 when P & P sent the designation of beneficiary forms to all pensioners receiving a guaranteed pension. The letter noted that the deceased often told the daughter that she would be the beneficiary. P & P advised the solicitor that the designation of 1981 applied only while the deceased was an employee. The letter further stated that the pensioner failed to complete a designation of beneficiary form after retirement and the remaining benefit would be paid to the estate.

The appellant argued that since her late mother signed the final form designating her as the beneficiary, she should be entitled to the pension benefit.

The Minister rejected the appellant's request on the basis that the proper designation of beneficiary form had not been completed. Also by paying the balance of the benefit to the estate, P & P would be protected from any possible claim by other family members.

The Board vacated the Minister's decision and ordered that the pension be paid to the appellant, who was the named designated beneficiary on the form. It was determined that there was nothing in legislation specifying that a different designation of beneficiary form was required upon retirement. Therefore, in the Board's view, the current designation of beneficiary form was valid.

Appeal 4 - Transfer

The case dealt with an application for an extension of the three-month time limit for eligibility to transfer pension contributions and credits from the Teachers' Retirement Fund (TRF) to the Local Authorities Pension Plan (LAPP).

The participant commenced contributions to the LAPP in May 1990. Shortly after the participant applied for a transfer of her service from the TRF. Her most recent contributions to the TRF were made in 1983 and 1984. After receiving the information, Payroll & Pensions (P & P) Division denied the application on the basis that the three-month break in contributory service had been exceeded.

Both the applicant and representative from P & P attended the hearing. After a break of more than five years since termination of participation under the TRF, the applicant became employed with a participating employer under the LAPP. P & P's representative pointed out that the reciprocal agreement was not meant to provide general portability; it was intended to allow almost immediate transfer between employers. P & P argued that there was no legal or moral obligation to approve the transfer which would add to the plan's liability. The applicant indicated that during the break in service, she worked part-time and stayed home to raise children.

The Board denied the application for an extension of a time limit and rejected the request for a transfer on the basis that there were no extenuating circumstances.

ADVICE

The Minister indicated early in 1991 that he contemplated introducing legislation to meet new Federal Income Tax Act requirements and making a number of "financing, benefit and administrative changes" to the Local Authorities Pension Plan. The Minister brought forward a package of proposals on July 9th, 1991. The Minister requested that the Board respond by the end of September and encouraged plan stakeholders to use the LAPP Board as an avenue to present their views. As a result, the focus of the Board's advisory role in 1991 was to advise the Minister of plan member concerns.

Compliance with the Federal Income Tax Act was important to ensure that required employee contributions remained tax deductible. The plan had to be administered on the new basis effective January 1, 1992. With no guarantee of a Fall sitting, the Board agreed to interim legislation that would allow the plan to be changed through regulation. This legislation had a one year sunset clause and the Board was assured that it would have the opportunity to review the regulations in draft form prior to their submission to Cabinet.

The new Federal Income Tax rules affected the LAPP in a number of ways. The Board responded to draft regulations presented to it in early November and continued to monitor the implementation of administrative changes. The Board recognized the necessity for many of the changes but was very sensitive to the issue of adequate notice to plan participants. In addition, some changes such as replacing the existing early retirement reduction tables with a flat 3% rate was open to interpretation as to whether it was required to meet the Federal rules. The Board raised these and other concerns with the Minister and the Minister has deferred any change in early retirement to July 1, 1992 in consultation with the Board and a transitional provision was included to allow individuals who were eligible to retire on December 31, 1991 to back date their retirement if they wished.

The bulk of the Minister's July 9th proposals represented a broader pension reform initiative. The Minister is to be commended for attempting to address a number of long standing concerns regarding funding and portability. Included in the proposals was a plan to fully fund Provincially administered pension plans' past service liability, a requirement that employers and employees fully fund future service, the formal recognition of indexing of pensions at 60% of inflation, improved portability of future service benefits, the removal of prior service purchases and the cancelling of reciprocal agreements.

The Board's response to the Minister was presented on September 30, 1991 and copies are available upon request. The Board's response reflected the concerns of both employee and employer participants in the plan. Specific concerns included:

1) The five plans each have their own unique benefit and funding histories. By dealing with the past service for all plans on a uniform basis, cross-subsidization between plans will occur. The plan was sponsored and guaranteed by the Province. Throughout the plan's history, the government has maintained and strengthened its grip on the decision-making process. Under that form of governance, asking employees and employers to share in funding the past service unfunded liability was unacceptable.

2) It is important to put in place a mechanism to ensure that future service deficits or surpluses are dealt with as they arise and significant shortfalls are precluded from occurring in the future.

3) The commitment of formally recognizing indexing at 60% of inflation was considered by the majority to be too low. However, the principle of an encoded formula for indexing was supported.

4) A number of plan provisions, such as cancelling reciprocal agreements, eliminating prior service purchases, and increasing early retirement factors for all service, were regressive in nature.

5) The pension deal that was originally agreed to and implemented in the past appears to be no longer desirable by government. The proposal changes the pension deal from a partially funded provincially guaranteed defined benefit plan to a full self-funding employer/employer defined benefit plan. Imposing the discipline of full self-funding on employees and employers is untenable unless the ability to manage the risk incurred is also provided to them by addressing the issue of governance.

In addressing these concerns, the Board identified plan governance as the most critical issue that must be dealt with. Key recommendations included:

1) The fiscal responsibility for administering the plan should be assigned by the Province to a new board of trustees (Trustees) composed of employee, employer and government representatives. The day-to-day administration of the plan should be removed from departmental control and operated as an independent agency accountable to the Trustees.

2) The unfunded liability attributable to the LAPP should be dealt with separately from other government sponsored plans and must remain the responsibility of the government.

3) Combined employee and employer contributions should be set equal to the annual cost of the pension plan with current service costs based on a method to be set by the Trustees.

4) Indexing should be formally recognized as part of the pension formula and the level of indexing set at 75% of the Alberta CPI.

5) A number of plan provisions, such as the ability to buy prior service and reciprocal transfers should be retained, provided they are properly funded.

The Board presented these recommendations as the first step in developing the dialogue necessary to come to a solution that would be satisfactory to all parties. Through the balance of 1991, the Minister and the Board have continued to meet to develop a framework on which to deal with stakeholder concerns. The Board held an informal briefing with representatives of plan participants and it is expected that a formal framework will be concluded by early 1992.

APPENDIX A

Excerpts from the Act

The following excerpts of the Local Authorities Pension Plan Act define the make-up and responsibilities of the Local Authorities Pension Plan Board

Establishment, composition, term of office, etc.

5(1) There is hereby established a board known as the Local Authorities Pension Plan Board.

(2) The Board shall consist of not fewer than 5 persons appointed members of the Board by the Lieutenant Governor in Council.

(3) The Lieutenant Governor in Council shall appoint 1 of the members of the Board from among participants and another from among persons nominated by the employers.

(4) A member of the Board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.

(5) The Minister may prescribe the remuneration and expenses to be paid to members of the Board.

(6) The Board may make rules respecting the calling of and the conduct of business at its meetings.

Chairman and Vice-chairman

6(1) The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.

(2) The vice-chairman shall act as chairman when the office of the chairman is vacant or when the chairman is absent or unable to act.

Support services

7 The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.

Objects of the Board

8 The objects of the Board are

(a) to conduct the hearing of appeals under Part 6;

(b) to provide advice to the Minister under section 9;

(c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;

(d) *to exercise and perform any other powers and duties assigned to it by this Act and the regulations;*

(e) *to perform any other duties relating to the Plan that are assigned to it by the Minister.*

Advisory functions of the Board

9 *The Board may advise the Minister respecting any matters relating to the Plan, including*

(a) *the adequacy of contributions to meet benefits,*

(b) *adjustments to pensions under section 27,*

(c) *rates of interest for the purposes of the Plan,*

(d) *benefits,*

(e) *reciprocal agreements,*

(f) *recognition of prior service,*

(g) *eligibility and participation in the Plan, and*

(h) *the actuarial tables prescribed or to be prescribed by the Minister.*

Board's power to extend time limits, etc.

10(1) *Where*

(a) *a person fails to meet a time limit under the Plan,*

(b) *the failure will or could result in a person's obtaining different benefits than those he would have obtained had the time limit been met, and*

(c) *the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,*

the Board may, on application to it, extend the time limit.

(2) *Where*

(a) *the circumstances set out in subsection (1)(a), (b) and (c) apply,*

(b) the benefit has been received or has commenced to be paid, and

(c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 40(2) could materially prejudice the best interests of the recipient or his dependants,

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where

(a) a benefit choice has been made, and

(b) the Board is satisfied that

(i) the choice communicated to the Minister was not that which the person making the choice actually intended, and

(ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked and substitute for it the choice which, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

Appeal to the Board

35(1) A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 or the prescribed provisions of the regulations, other than a decision under section 32 or one that could be the subject-matter of an application under section 10, may appeal against that decision to the Board.

(2) A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.

(3) The notice of appeal must specify the decision appealed against and the grounds of appeal.

(4) The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.

(5) For the purposes of conducting an appeal under this section, the Board

(a) has all of the duties, powers, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of the Act, and

(b) shall be deemed to be a person authorized for the purposes of section 1(a) of the Administrative Procedures Act.

(6) The Board may confirm, vacate or vary the decision appealed against.

(7) The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.

Appeal to the Court of Queen's Bench

36(1) A party aggrieved by a decision of the Board under section 35 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

(2) The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.

(3) The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.

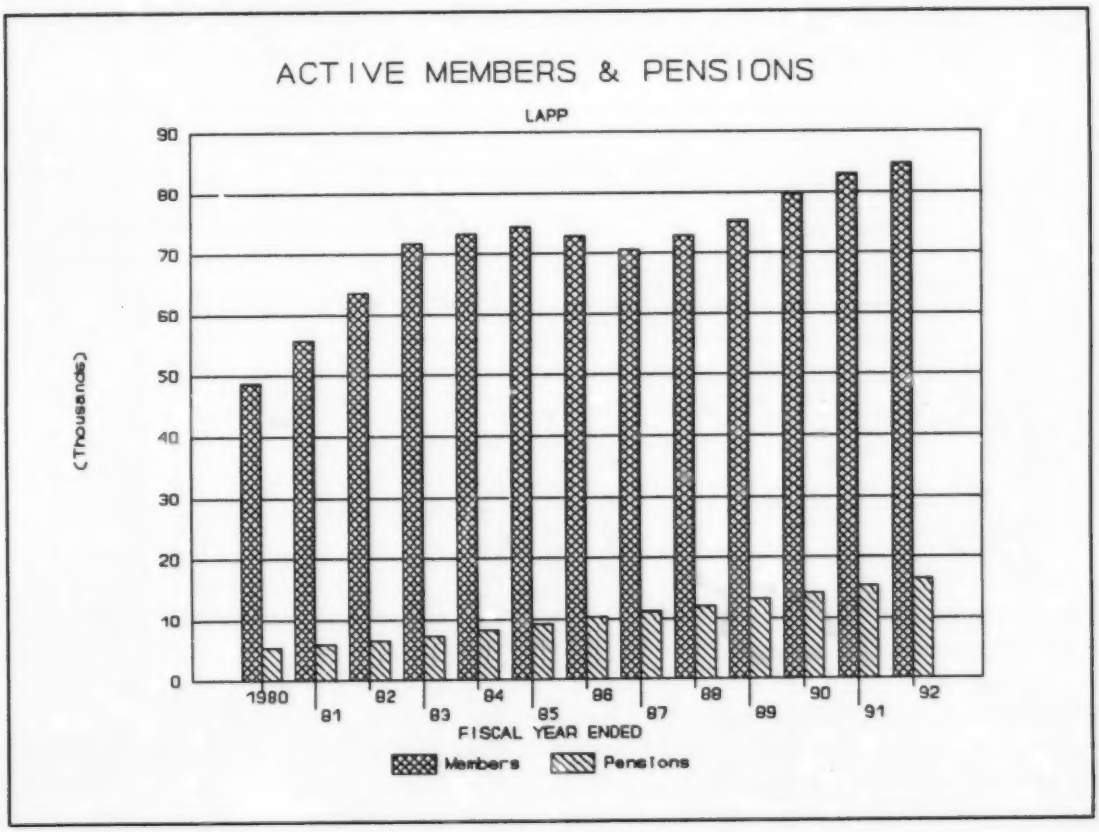
APPENDIX B

Summary of Plan Statistics

Statistics are provided by Payroll and Pensions Division of Alberta Treasury and interpreted by the Alberta Government Pension Boards office.

A. Active Members

Active membership in the Local Authorities Pension Plan increased from 48,734 at March 31, 1980 to 84,644 as at March 31, 1992. The following graph shows the relative changes from 1980 through 1992:



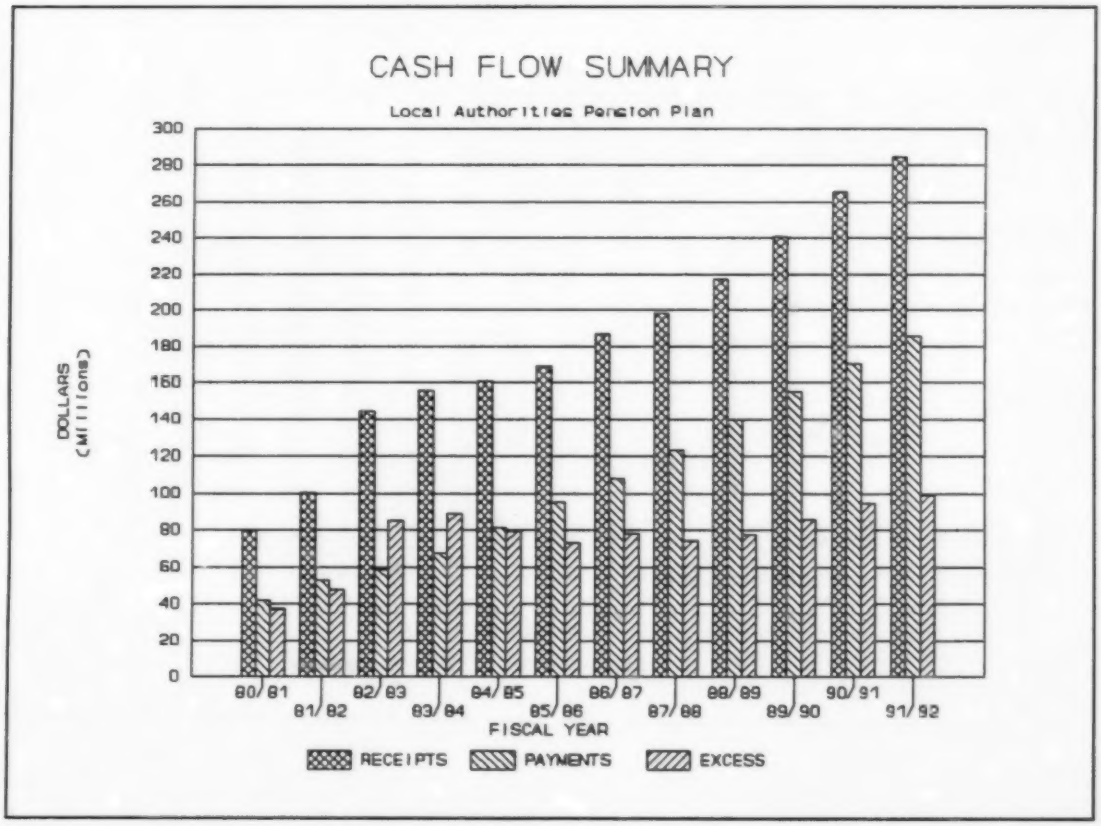
B. Pensions in Payment

Pensions in payment increased from 5,370 at March 31, 1980 to 16,419 as at March 31, 1992. The previous graph illustrates the relative increases.

The average pension in payment was $468.45 per month on March 31, 1980 and increased to $846 per month for pensioners and $647 per month for surviving spouses on March 31, 1992.

C. Cash Flow Summary

The graph below reveals that receipts were $79,791,755 for the fiscal year 1980/81 and increased to $284,990,027 in fiscal year 1991/92. Payments increased from $42,441,564 in fiscal year 1980/81 to $185,500,623 in fiscal year 1991/92. The excess contributions were $37,350,191 in fiscal year 1980/81 and $99,489,404 in fiscal year 1991/92.

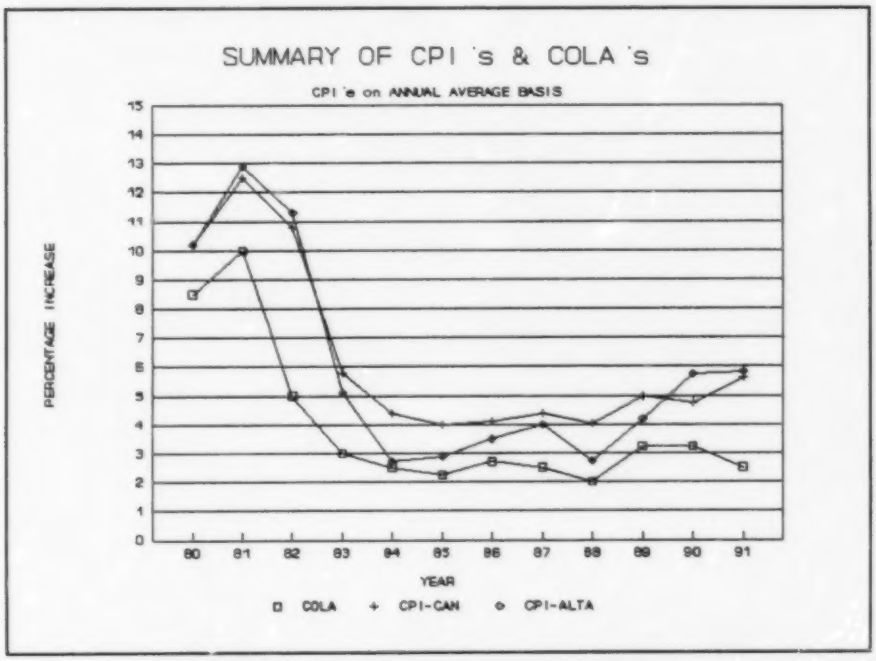


APPENDIX C

Board Recommendations

1. **COLA:**

Cost of living adjustments to the plan are granted annually (since 1962) by the Minister. The actuarial valuations contemplate a COLA on the basis of 75% of the Consumer Price Index (CPI). The actual COLA that has been granted has fallen short of that target level through out most of the last 12 years.



The graph above shows the COLA's granted on January 1 following the years 1980 through 1991, i.e. the COLA of 3.25% shown for 1990 was granted on January 1, 1991. The Consumer Price Index (CPI) increases are for the calendar years, i.e. CPI-CAN shown for 1990 is the 4.8% increase in the 1990 average CPI over the 1989 average CPI. During the 12-year period the average annual increases were as follows: Canada CPI - 6.3%, Alberta CPI - 5.9%, COLA's granted - 3.9%. Similarly, during the 5-year period 1987 through 1991 the average annual increases were as follows: Canada CPI - 4.7%, Alberta CPI - 4.5%, COLA's granted - 2.7%.